

104TH CONGRESS
1ST SESSION

H. R. 1857

To amend the Internal Revenue Code of 1986 to allow an individual who has attained age 55 a deduction for amounts paid for insurance to be used to pay real property taxes on the principal residence of the individual after the individual has attained age 65.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 1995

Mr. FRANKS of New Jersey introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow an individual who has attained age 55 a deduction for amounts paid for insurance to be used to pay real property taxes on the principal residence of the individual after the individual has attained age 65.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. DEDUCTION FOR INDIVIDUALS WHO HAVE AT-**
2 **TAINED AGE 55 FOR REAL PROPERTY TAX IN-**
3 **SURANCE WITH RESPECT TO PRINCIPAL RES-**
4 **IDENCE.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 additional itemized deductions for individuals) is amended
8 by redesignating section 220 as section 221 and by insert-
9 ing after section 219 the following new section:

10 **“SEC. 220. DEDUCTION FOR INDIVIDUALS WHO HAVE AT-**
11 **TAINED AGE 55 FOR REAL PROPERTY TAX IN-**
12 **SURANCE WITH RESPECT TO PRINCIPAL RES-**
13 **IDENCE.**

14 “(a) IN GENERAL.—In the case of an individual who
15 has attained age 55 before the close of the taxable year,
16 there shall be allowed as a deduction an amount equal to
17 the premiums paid or incurred during the taxable year for
18 any qualified real property tax insurance contract with re-
19 spect to the principal residence of such individual.

20 “(b) QUALIFIED REAL PROPERTY TAX INSURANCE
21 CONTRACT.—For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified real
23 property tax insurance contract’ means any insur-
24 ance contract—

25 “(A) which permits premiums to be paid
26 for such insurance only after the policyholder

1 attains age 55 and before the policyholder at-
2 tains age 65,

3 “(B) which pays, at the election of the pol-
4 icyholder—

5 “(i) the excess of—

6 “(I) the amount of the State and
7 local real property taxes imposed on
8 the principal residence of the policy-
9 holder for each real property tax year
10 in the insured period, over

11 “(II) the amount of such taxes
12 imposed on such residence for the last
13 real property tax year beginning be-
14 fore the insured period (or, if later,
15 the first real property tax year for
16 which the policyholder was liable for
17 such taxes imposed on such resi-
18 dence), or

19 “(ii) the amount of the State and
20 local real property taxes imposed on the
21 principal residence of the policyholder for
22 each real property tax year in the insured
23 period,

1 “(C) which provides for a refund of the
2 cash value of the insurance contract (if any)
3 if—

4 “(i) the residence is sold or exchanged
5 before the end of the insured period, or

6 “(ii) the insured period ends by rea-
7 son of the last sentence of paragraph (2),
8 and

9 “(D) in the case of a husband and wife
10 who are joint policyholders, which provides for
11 a waiver of premiums for such insurance after
12 the death of either spouse.

13 “(2) INSURED PERIOD.—The term ‘insured pe-
14 riod’ means—

15 “(A) in the case of an election to have
16 paragraph (1)(B)(i) apply, the 10 real property
17 tax years beginning after the date the policy-
18 holder attains age 65, and

19 “(B) in the case of an election to have
20 paragraph (1)(B)(ii) apply, the number of real
21 property tax years (beginning after the date the
22 policyholder attains age 65) selected by the pol-
23 icyholder but only if the number selected is 5,
24 10, 15, or 20.

1 In no event shall the insured period end after the
2 close of the real property tax year in which the last
3 policyholder dies.

4 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
5 cipal residence’ has the meaning given to such term
6 by section 1034.

7 “(4) STATE AND LOCAL REAL PROPERTY
8 TAXES.—The term ‘State and local real property
9 taxes’ means any real property tax which is a State
10 or local tax (within the meaning of section
11 164(b)(2)); except that such term shall not include
12 any amount for which a deduction is not allowable
13 by reason of section 164(c)(1).

14 “(c) PREMIUM REQUIREMENTS.—

15 “(1) IN GENERAL.—Except as provided in para-
16 graph (2), an insurance contract shall be treated as
17 a qualified real property tax insurance contract only
18 if the annual premium for any year does not exceed
19 the amount equal to 150 percent of the amount of
20 the State and local real property taxes imposed on
21 the principal residence of the policyholder for the
22 real property tax year ending during the preceding
23 year.

1 “(2) SINGLE PREMIUMS PERMITTED IN CER-
2 TAIN CASES.—Paragraph (1) shall not apply to any
3 premium paid during any calendar year if—

4 “(A) not less than the amount of such pre-
5 mium is paid or distributed during such year to
6 the taxpayer from any individual retirement
7 plan of the taxpayer, or

8 “(B) the taxpayer receives during such
9 year a lump sum distribution (as defined in sec-
10 tion 402(d)(4)) in an amount not less than the
11 amount of such premium.

12 This paragraph shall not apply if the amount of any
13 premium paid, when added to premiums previously
14 paid, exceeds the amount reasonably necessary (as
15 determined under regulations prescribed by the Sec-
16 retary) to fund the payments referred to in sub-
17 section (b)(1)(B).

18 “(d) SPECIAL RULES FOR MARRIED INDIVIDUALS.—
19 For purposes of this section—

20 “(1) IN GENERAL.—In the case of a husband
21 and wife who are joint policyholders, this section
22 shall be applied by taking into account only the age
23 of the older spouse.

24 “(2) PROPERTY OF DECEASED SPOUSE.—If—

1 “(A) an individual’s spouse died during the
2 period applicable under subsection (b)(1)(A),

3 “(B) such spouse was the older spouse,
4 and

5 “(C) any premium for any qualified real
6 property tax insurance contract was paid by ei-
7 ther spouse before the date of such death,
8 the age the older spouse would have been shall con-
9 tinue to be the only age taken into account for pur-
10 poses of this section.

11 “(e) OTHER SPECIAL RULES.—

12 “(1) TAX TREATMENT OF REFUND OF CASH
13 VALUE.—Any refund of the cash value of any quali-
14 fied real property tax insurance contract shall be in-
15 cludible in gross income for the taxable year in
16 which received.

17 “(2) DENIAL OF DEDUCTION FOR PAYMENT OF
18 TAXES.—No deduction shall be allowed under this
19 chapter for any payment of tax under any qualified
20 real property tax insurance contract.

21 “(3) TENANT-STOCKHOLDER IN COOPERATIVE
22 HOUSING CORPORATION.—A rule similar to the rule
23 of section 1034(f) shall apply for purposes of this
24 section.”

1 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
2 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
3 of section 62 of such Code is amended by inserting after
4 paragraph (15) the following new paragraph:

5 “(16) QUALIFIED REAL PROPERTY TAX INSUR-
6 ANCE PREMIUMS.—The deduction allowed by section
7 220.”

8 (c) CLERICAL AMENDMENT.—The table of sections
9 for part VII of subchapter B of chapter 1 of such Code
10 is amended by striking the last item and inserting the fol-
11 lowing new items:

“Sec. 220. Deduction for individuals who have attained age 55 for
real property tax insurance with respect to principal
residence.

“Sec. 221. Cross reference.”

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 the date of the enactment of this Act.

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